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INFORMATION RELEASE

Dynamic growth in payment card turnover continues, and clients are increasingly open to online and cross-border payment card purchases

In terms of the development of the payment infrastructure the expansion in the technology allowing contactless payment continued. At the end of 2019, the share of contactless cards of total payment cards reached 85 per cent, and in turn the share of terminals enabling contactless payment within all the terminals was above 89 per cent. In 2019 Q4, the robust growth in domestic purchases conducted with payment cards issued in Hungary continued, which contributed to the fact that the number and value of transactions exceeded the turnover data from 2018 by 18 per cent and 21 per cent, respectively, considering 2019 as a whole. However, in addition to transactions conducted in Hungary and at physical acceptance points, the share of cross-border and online purchases became increasingly significant. The stable growth of previous periods also continued in the case of credit transfers, as well as direct debits throughout the whole year. Turnover of the payment and settlement systems grew slightly in 2019 and the payment and settlement system liquidity continued to be ample.

The number of payment accounts managed by domestic payment service providers was slightly below 10.5 million at the end of 2019 Q4. Within this, the number of customer accounts primarily used for payment purposes rose by around 19,000 in 2019 Q4, exceeding 6.7 million in total. Within all payment accounts, as a result of the fourth quarter increase of approximately 190,000, the share of electronically accessible accounts was above 80 per cent.

The annual growth rate in the number of payment cards issued in Hungary was reversed in 2019 Q4; however, despite the slight decrease of below 8,000, their number was nearly 9.4 million, which is 1.4 per cent more than it was at the end of 2018. Nevertheless, within this, changes by card type differ completely. An increase in the number of debit cards by nearly 160,000 was accompanied by a decline of 22,000 in the number of credit cards in 2019 as a whole. In addition, the continuous increase in the number of contactless cards continued in 2019 Q4: with an increase of over 100,000 over the previous quarter, their number rose by nearly 650,000 in total throughout the whole year. Consequently, their share of all payment cards reached 85 per cent.

The number of physical acceptance points operated by resident service providers fell slightly by 1,000 in 2019 Q4, therefore, their number declined by 1 per cent in total in 2019, relative to the end of the previous year. However, the expansion of non-resident service providers, not subject to reporting obligation to the Magyar Nemzeti Bank, in Hungary, affects the changes in the number of acceptance points belonging to the payment card acceptance network of domestic payment service providers. At the end of 2019, the over 147,000 POS terminals operated by resident service providers at nearly 114,000 acceptance points indicates a 1 per cent growth relative to the end of

2018. In addition, over 89 per cent of the terminals enabled contactless payment. In this respect, there was a 3.5 percentage points increase relative to the end of 2018. The number of online acceptance points declined slightly in 2019 Q4; however, their number was nearly 13,000 at the end of 2019, which is 10 per cent more than at the end of 2018.

The number of domestic purchase transactions conducted with payment cards issued in Hungary reached historic highs in 2019 Q4 and was nearly 244 million in number. The number of purchases was over 905 million in 2019 as a whole. This represents an increase of over 18 per cent relative to 2018. The increase was also reflected in the record rate of transaction value. In 2019 Q4, with purchases of over HUF 1,871 billion conducted with payment cards, the value was over HUF 6,604 billion in the whole year, indicating an increase of over 21 per cent relative to 2018. In addition to domestic purchase transactions conducted with payment cards issued in Hungary, there was a considerable growth in cross-border transactions as well. In annual terms, the 90 million purchases and the value of nearly HUF 1,063 billion reflects 30 per cent and 35 per cent increase, respectively. In addition to domestic card payment transactions conducted at physical acceptance points, the number of online purchases also rose significantly. The vast majority of these was recorded as cross-border transactions. While both the number and value of payment card purchases conducted at physical acceptance points in Hungary rose by 17 per cent in 2019 relative to 2018, the number and the value of online transactions in Hungary grew by 32 per cent and 45 per cent, respectively. The number and value of cross-border online transactions also increased by 32 per cent and 47 per cent, respectively. The number and value of online purchases conducted with payment cards issued in Hungary accounted for 15 per cent and 23 per cent of the total purchase turnover, respectively.

Contactless purchase transactions conducted with domestically issued payment cards in the Hungarian acceptance network accounted for 93 per cent of total payment card purchases conducted at physical merchant acceptance points in 2019 Q4, indicating an increase of 4.3 percentage points relative to 2018 Q4. In terms of the value of payment transactions in 2019 Q4 88 per cent of total turnover was conducted using contactless technology indicating an increase of 6.1 percentage points relative to 2018 Q4. At HUF 13,374 and HUF 6,745, respectively, the average value of traditional transactions in Hungary was nearly twice the value of contactless purchases.

The number of cash withdrawals using payment cards was 26.8 million reflecting a slight decline of 92,000 cases relative to 2018 Q4; however, the total value of withdrawn cash rose by nearly 9 per cent amounting to HUF 2,288 billion relative to the same period in 2018.

The total number of individual HUF credit transfers initiated at domestic payment service providers was close to 67 million in 2019 Q4, their total value amounted to HUF 176,000 billion representing an increase of 4 per cent and 7 per cent, respectively relative to the same period in 2018. Regarding the volume of direct debits primarily used for paying utility bills and other invoices, the number of transactions declined slightly by 2 per cent relative to the same period in 2018 and was little over 19 million. However, the value of transactions amounted to nearly HUF 235 billion, as a result of an increase of over 1 per cent. Nevertheless, direct debits of 77 million in number and a transactional value of nearly HUF 950 billion represents a 3 per cent and 6 per cent growth in annual terms, respectively relative to 2018.

Although in 2019 Q3, the number of frauds committed with payment cards on the issuer side (nearly 17,000) rose by some 6 per cent relative to a year earlier, the value of financial loss caused by fraud (HUF 377 million) signals a decline of more than 7 per cent. It is still typical that frauds were primarily connected to online purchases, which do not require the physical presence of payment cards. About 81 per cent of the number of frauds and nearly 68 per cent of the value of financial loss caused by fraud can be related to these transactions. Nevertheless, the value of financial loss caused by counterfeit cards (HUF 81 million) increased significantly relative to previous periods. This type of fraud accounted for nearly 22 per cent of total losses caused. In terms of the direction of transactions, the overwhelming majority of frauds (89 and 95 per cent in terms of number and value) continued to be related to cross-border transactions. However, due to the legislative background favouring consumers, card holders only had to incur only 5.4 per cent of the total value of the financial loss (HUF 397 million) on the issuer side in 2019 Q2. This was 2.6 percentage points lower than in 2018 Q3.

In 2019 Q4, financial institutions had a total revenue of nearly HUF 156 billion from providing payment services. This represented an increase of more than 9 per cent compared to the same period of the preceding year. Including this, financial institutions realised a total revenue of HUF 587 billion. Credit transfers (nearly 25 per cent) as well as payment accounts and account management (over 19 per cent) continued to account for the largest part of revenues in 2019 Q4. Revenues realised by payment service providers related to payment card acceptance services (nearly HUF 14 billion) rose by nearly 25 per cent compared to the same period a year earlier. Within this, the growth of interchange fees represented the greatest item with an increase of nearly 50 per cent (HUF 1.5 billion), which was mainly related to business cards.

In 2019 Q4, VIBER turnover increased by 5 per cent in value and was unchanged in terms of the number of transactions compared with 2019 Q3. Turnover also rose, by 7 per cent in terms of value and by 12 per cent in terms of the number of items compared with the same period a year earlier. The increase in turnover was mainly related to higher-value items (of over HUF 10 billion). The significant increase in turnover value relative to a year earlier primarily reflected rises in interbank, customer and other central bank transactions. Due to the significant increase in value, the average transaction size in VIBER grew by HUF 90 million relative to 2019 Q3. A total of 467,000 items were settled in the review period in a value of nearly HUF 416,000 billion. Over the year as a whole, VIBER turnover increased by 8 per cent and the number of transactions by 11 per cent. VIBER turnover has been increasing steadily since 2016. In 2019, it exceeded HUF 1,500 thousand billion, representing the largest annual turnover over a decade. A seasonal comparison with prior year shows that the growth of turnover in 2019 was particularly strong between September and December.

Compared with the previous quarter, liquidity of VIBER participants increased slightly (by 3 per cent), whereas it grew by nearly 5 per cent on a year-on-year basis. As seen in the previous quarter, VIBER participants did not have to use significant amounts of their credit lines to conduct their payment transactions: maximum utilisation of the intraday credit line at system level fluctuated at low levels (around 8–10 per cent) in 2019 Q4. The composition of the securities portfolio pledged for the MNB barely changed: the ratio of government securities continued to be high, decreasing only marginally (from 70 per cent to 66 per cent) in favour of mortgage bonds and bonds. System-level liquidity continued to be adequate, barely changing compared with previous year and stabilising at HUF 2500±200 billion during the year. The reserve requirement ratio did not change in 2019, and therefore the current

account balance remained practically unchanged in 2019 relative to the previous year. The credit line rose slightly, by HUF 100 billion in early 2019, then it stabilised at a level between HUF 2,100 billion and 2,300 billion afterwards. Due to their efficient liquidity management, participants were able to conduct their increased turnover smoothly.

Turnover in the retail payment system rose by 10 per cent and the number of transactions by 8 per cent year on year. In a quarterly comparison, both the value of ICS turnover and the number of transactions grew by 10 per cent relative to the previous quarter. The year-on-year increase in value was mainly caused by individual credit transfers, whereas the rise in volume reflected the increase in the number of individual credit transfers and credit transfers initiated in batch. Overall, around 91 million transactions with a total value of HUF 35,000 billion were cleared in 2019 Q4. Over the year as a whole, ICS turnover increased by 11 per cent and the number of transactions by 7 per cent compared with 2018. The increase in value and the number of transactions resulted from growth in the volume of individual credit transfers.

Technical guidance

Time series data contained in the 'Payments' sub-menu of the [Payment table set](#) should be used to analyse developments in customer credit transfers. To access more detailed information exclusively about the operation of financial infrastructures, statistical data contained in the 'Payment and Securities Settlement Systems' sub-menu are to be used.

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Detailed tables: [Payment table set](#)

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